



Summerville • Florence • Columbia • Georgetown • Charleston • Myrtle Beach • Sumter • Litchfield

June 25, 2010

To the Audit Committee
City of Charleston, South Carolina
Charleston, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Charleston, South Carolina**, for the year ended December 31, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 15, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Charleston, South Carolina, are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the City's financial statements was (were):

- Management's estimate of the allowance for uncollectible property tax is based on both historical data and the property tax levy. We evaluated the key factors and assumptions used to develop the allowance for uncollectible property taxes in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allowance for uncollectible stormwater drainage fees is based on historical revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance for uncollectible stormwater drainage fees in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of liability for incurred but not reported (IBNR) workers' compensation insurance claims is based on historical data extrapolated to the number of individuals currently employed by the City of Charleston, South Carolina. We evaluated the key factors and assumptions used to develop the estimate of IBNR claims in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of liability for incurred but not reported (IBNR) health insurance claims is based on industry norms and historical data extrapolated to the number of individuals currently employed by the City of Charleston, South Carolina. We evaluated the key factors and assumptions used to develop the estimate of IBNR claims in determining that they are reasonable in relation to the financial statements taken as a whole.

Members

SC Association of Certified Public Accountants

NC Association of Certified Public Accountants

Member

Division for CPA Firms, AICPA

RSM McGladrey Network
An independently owned Member

100 South Main Street, Suite G (29483)
PO Box 1588 (29484)
Summerville, South Carolina
843-873-4400, Fax 843-873-7227
www.websterrogers.com

- Management's estimates of future periodic payments for postemployment healthcare costs, which are attributable under the City's plan provisions to services employees have rendered. The estimated liability is based on actuarial assumptions extrapolated to the number of individuals currently employed by the City of Charleston, South Carolina. The most significant assumptions were:

Actuarial cost methods	- Projected Unit Credit Method
Investment return	- 6.50% per annum
Inflation assumption	- 4.0%
Healthcare cost trend rate	- 8.0%, decreasing .5% per year to a floor of 5.0%

The foregoing actuarial assumptions are based on the presumption that the plan will continue. We evaluated the key factors and assumptions used to develop the estimated future periodic payments in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 25, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Audit Committee and management of the City of Charleston, South Carolina, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Summerville, South Carolina